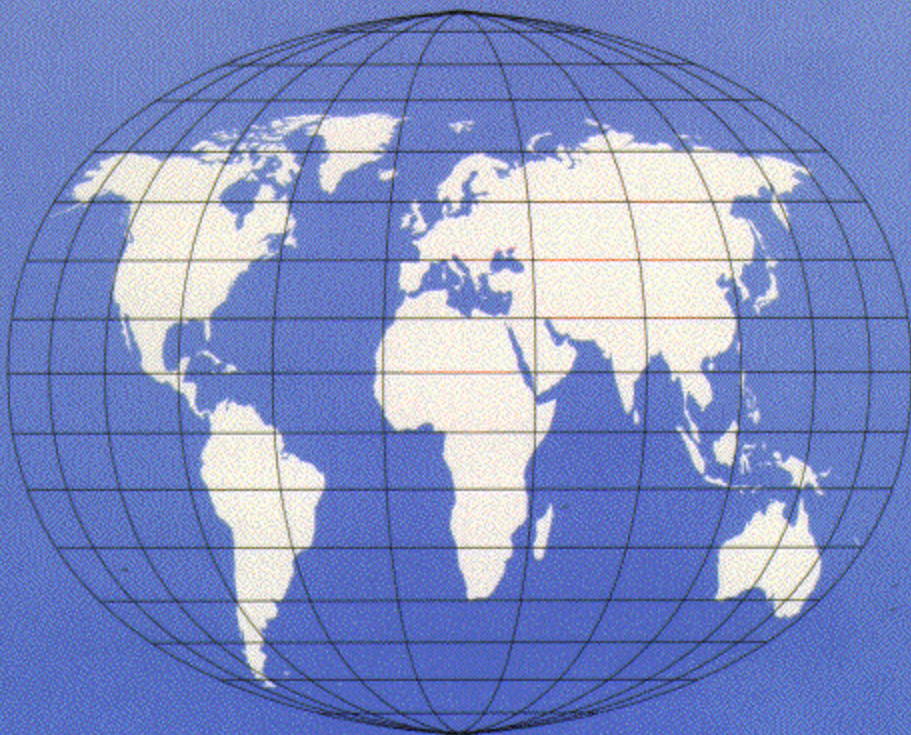


Report of Audit

AUDIT OF USAID/SENEGAL'S RECIPIENT AUDIT UNIVERSE

**Report No. 7-685-01-002-P
April 27, 2001**



Dakar, Senegal

**OFFICE OF INSPECTOR GENERAL
U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT**

USAID

OFFICE OF INSPECTOR GENERAL

Audit of USAID/Senegal's Recipient Audit Universe

Audit Report No. 7-685-01-002-P

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**U.S. Agency for
International Development**




U.S. Agency for
INTERNATIONAL
DEVELOPMENT

RIG/Dakar

April 27, 2001

MEMORANDUM

FOR: Donald Clark, USAID/Senegal Director
FROM:  Henry Barrett, Regional Inspector General/Dakar
SUBJECT: Audit of USAID/Senegal's Recipient Audit Universe (Report No. 7-685-01-002-P)

This memorandum is our report on the subject audit. We have considered your comments to the draft report and have included them in their entirety as Appendix II. The report contains no recommendations for your action.

I appreciate the cooperation and courtesy extended to my staff during the audit.

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Summary of Results

Financial audits of contracts, grants, and cooperative agreements are a primary basis for effective management and control of USAID's program expenditures. We conducted the audit as part of a worldwide Office of Inspector General audit to confirm that this important management and control system was in place and functioning as intended.

We designed the audit to determine whether USAID/Senegal had accurately defined its audit universe and ensured that required audits were conducted in a timely manner. The audit showed that USAID/Senegal had developed an accurate audit universe. For the period audited, no recipient audits were required because none of the Mission's non-U.S. awards met the audit threshold.

Mission management agreed with the findings in this report.

Background

Financial audits of contracts, grants, and cooperative agreements are a primary basis for effective management and control of USAID's program expenditures. These audits are designed to provide USAID management reasonable assurance that transactions are properly recorded and accounted for; laws and regulations, and provisions of contract or grant agreements are complied with; and USAID-financed funds, property and other assets are safeguarded against unauthorized use or disposition.

In response to congressional concerns, USAID has taken an active role in recent years, using audits as a management tool to improve financial accountability of its programs. During 1991 and 1992, USAID revised its standard provisions for its contracts and grants, requiring annual audits of non-U.S. organizations disbursing USAID funds of \$25,000 or more. The threshold was increased to \$100,000 in May 1994, and to \$300,000 in July 1998.

In addition, USAID issued a general notice in April 1992 defining the role of USAID missions in obtaining audits of their contracts, grants and cooperative agreements with non-U.S. organizations. In May 1996, these requirements were incorporated into Chapter 591 of USAID's Automated Directives System (ADS), which requires USAID missions to (1) establish an audit management program; (2) maintain an audit inventory database; and (3) have audits done for non-U.S. grants, contracts and cooperative agreements that meet the audit threshold.

These initiatives have important consequences in preventing misuse of USAID development funds and in facilitating timely corrective actions by the USAID. Lack of adequate audit coverage constitutes an unacceptable risk because, without such a control mechanism, financial accountability of program expenditures cannot be reasonably assured.

In March 1995, the Office of Inspector General (OIG) issued Audit Report No. 03-95-009 on USAID's implementation of USAID's 1992 initiative to improve the financial management of its programs. The report concluded that most missions had implemented the general requirements of the financial audit management program and established audit inventory databases. However, complete coverage was impaired as a result of obstacles arising from host government restrictions and local audit firm capabilities. Additionally, Audit Report No. 9-000-98-002-F, was issued in March 1998 on USAID missions' roles in obtaining audits of their contracts, grants, and cooperative agreements. The report concluded that, although the majority of USAID missions reviewed generally obtained audits of their contracts, grants, and cooperative agreements as required by the ADS, a significant number of required audits were not completed at several missions.

In May 1999, OIG management decided to verify the accuracy of USAID missions' recipient audit universe worldwide over a period of three years because the lack of audit coverage was perceived as a high-risk area. Accordingly, this audit was included in RIG/Dakar's fiscal year 2001 audit plan.

Audit Objective

As part of our fiscal year 2001 annual audit program, we performed this audit to answer the following audit objective:

Was the audit universe for USAID/Senegal accurate and were required audits conducted in a timely manner?

Appendix I contains a complete discussion of the scope and methodology for the audit.

Audit Findings

Was the audit universe for USAID/Senegal accurate and were required audits conducted in a timely manner?

The audit disclosed that USAID/Senegal developed an accurate audit universe. For the period audited, no recipient audits were required because none of the Mission's non-U.S. awards met the audit threshold.

As of September 30, 1999, USAID/Senegal reported expenditures of \$24.3 million in program funds for contracts, grants, and cooperative agreements. Of that amount, USAID/Senegal awarded a total of \$.5 million to four non-U.S. recipients. However, no expenditures were reported by the non-U.S. organizations in amounts (over \$300,000) that would be subject to audit. The following table provides a breakdown of the reported expenditures by type of document.

USAID/Senegal
Fiscal Year 1999 Reported Program Expenditures*
And Number of Documents

Type of Agreement	Non-U.S. Recipients		Total U.S. and Non-U.S. Recipients	
Contracts	\$544,796	4	\$15,299,828	21
Grants	0	0	86,959	4
Cooperative Agreements	0	0	8,949,813	7
Total	\$544,796	4	\$24,336,600	32

* Program expenditures do not include local currency trust funds managed by USAID/Senegal

To comply with the requirements of ADS Chapter 591, USAID/Senegal took the following actions to implement an audit management system:

- issued two mission orders to provide mission-specific guidance for the audit management program;
- established a management control review committee to monitor the status of the Mission's audit program and to assure that its audit responsibilities were carried out;
- designated an audit management official to coordinate and monitor the Mission's financial audit program and follow up on implementation of recipient-contracted audit recommendations;
- maintained an accurate annual audit inventory/plan of contracts, grants, and cooperative agreements; and
- performed some financial management reviews on non-U.S. recipients that expended amounts below the threshold for audits.

In addition, as part of its reporting requirements under the Federal Managers' Financial Integrity Act of 1982, USAID/Senegal directed an evaluation of its system of management controls in effect during the fiscal year ended September 30, 1999, that included a review of its audit management system.

**Management
Comments and
Our Evaluation**

USAID/Senegal's management concurred with the findings in the draft report and commended the OIG for ensuring that audits are undertaken where and when necessary.

**Scope and
Methodology**

Scope

The audit was conducted in accordance with generally accepted government auditing standards and assessed whether: (1) USAID/Senegal's audit universe was accurate, and (2) required audits were done in a timely manner.

Fieldwork was performed at USAID/Senegal in Dakar, Senegal from January 23 to February 16, 2001 and covered \$24.3 million in reported USAID expenditures during fiscal year ended September 30, 1999. USAID/Senegal provided RIG/Dakar with an adequate representation letter. The audit scope included:

- reviewing the Mission's audit management program and related documents,
- interviewing cognizant Mission officials, and
- comparing the Mission's audit inventory and audit plan to data contained in the Mission Accounting and Control System. (MACS).

In comparing the audit inventory to the data in the MACS, we determined (1) total expenditures reported for all grants, contracts and cooperative agreements (U.S. and non-U.S.) for the fiscal year ended September 30, 1999, and (2) total expenditures reported for non-U.S. organizations in excess of \$300,000.

The audit criteria were principally the Chapter 591 of USAID's Automated Directives System (ADS) and the OIG's "Guidelines for Financial Audits Contracted by Foreign Recipients" (Guidelines) dated July 1998.

Methodology

To assess management controls, the methodology included (1) reviewing the Mission's audit inventory database to determine if it contained the information needed to identify and track required audits, (2) examining appropriate documentation, and (3) conducting interviews with cognizant officials to determine whether the Mission had met its responsibilities established by ADS Chapter 591 and the Guidelines.

To answer our audit objective, we identified the universe of USAID/Senegal's contracts, grants and cooperative agreements. We then determined the number and dollar amounts of all agreements with non-U.S. organizations subject to audit coverage at September 30, 1999 using the Mission's contract files and the MACS. For the period under review we identified four non-U.S. recipients. However, they did not report expenditures in amounts subject to audit. We also reviewed the contract files for those recipients.


We did not assess the reliability of data contained in the MACS. Additionally, we did not apply a materiality threshold since no audits were required.

**Management
Comments**

APR 23 2001



**U.S.A.I.D. / SENEGAL
Memorandum**

DATE: April 19, 2001
REPLY TO: Don Clark, Mission Director 
SUBJECT: Audit of USAID/Senegal's Recipient
Audit Universe, Report No. 7-685-01-00X-P

TO: Henry Barrett, Regional Inspector
General/Dakar

The USAID/Senegal Mission concurs with the findings of the subject report.

We commend the efforts by the OIG to ensuring that audits are undertaken where and when necessary.